

GRANT TOWNSHIP, MICHIGAN
Keweenaw County

FINANCIAL REPORT

Year ended March 31, 2008

GRANT TOWNSHIP, MICHIGAN
FINANCIAL REPORT
Year ended March 31, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Grant Township, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant Township, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grant Township, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note I C, Grant Township, Michigan prepares its governmental activities in the government-wide financial statements and its governmental and fiduciary fund financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Volunteer Firemen's Fund which should be included in order to conform to accounting principles generally accepted in the United States of America. The amounts that should be recorded are not known.

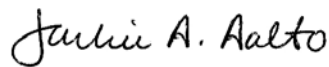
In my opinion, except for the effects on the financial statements of the item described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the discretely presented component unit, each major governmental fund, and the aggregate remaining fund information of Grant Township, Michigan, as of and for the year ended March 31, 2008 and the respective changes in financial position – modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note I C.

In addition, in my opinion, the financial statements referred to above presently fairly, in all material respects, the respective financial position of the business-type activities and each major proprietary fund of Grant Township, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 5, 2008, on my consideration of Grant Township, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The budgetary comparison information on pages 28 and 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it. Grant Township has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant Township, Michigan's basic financial statements. The accompanying other supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Jackie A. Aalto, CPA

September 5, 2008

GRANT TOWNSHIP, MICHIGAN

Statement of Net Assets – Modified Cash Basis

March 31, 2008

	Primary Government			Component Unit
	Governmental	Business-type		
	Activities	Activities	Total	DDA
Assets				
Cash	\$ 396,388	\$ 84,418	\$ 480,806	\$ 83,343
Investments	114,605	190,330	304,935	
Receivables, net	16,372	27,727	44,099	
Due from component unit	7,802		7,802	
Internal balances	602	(602)		
Prepays		8,719	8,719	
Deferred charges	4,942		4,942	
Restricted investments		26,332	26,332	
Capital assets not being depreciated	782,890	69,828	852,718	
Capital assets, net of accumulated depreciation	<u>1,131,112</u>	<u>2,393,927</u>	<u>3,525,039</u>	<u>264,960</u>
Total Assets	<u>2,454,713</u>	<u>2,800,679</u>	<u>5,255,392</u>	<u>348,303</u>
Liabilities				
Accounts payable & other current liabilities	3,245	5,001	8,246	
Accrued interest payable		1,700	1,700	
Due to primary government				7,802
Noncurrent liabilities:				
Due within one year	25,000	5,000	30,000	10,000
Due in more than one year	<u>382,500</u>	<u>97,000</u>	<u>479,500</u>	<u>210,000</u>
Total Liabilities	<u>410,745</u>	<u>108,701</u>	<u>519,446</u>	<u>227,802</u>
Net Assets				
Invested in capital assets, net of related debt	1,506,502	2,361,755	3,868,257	44,960
Restricted for:				
Public safety	46,285		46,285	
Perpetual care - nonexpendable	2,681		2,681	
Debt service		24,632	24,632	
Unrestricted	<u>488,500</u>	<u>305,591</u>	<u>794,091</u>	<u>75,541</u>
Total Net Assets	<u>\$ 2,043,968</u>	<u>\$ 2,691,978</u>	<u>\$ 4,735,946</u>	<u>\$ 120,501</u>

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP, MICHIGAN

Statement of Activities – Modified Cash Basis

Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	DDA
Primary Government:								
Governmental Activities								
General government	\$ 116,040	\$ 1,330	\$ 9,298	\$	\$ (105,412)	\$	\$ (105,412)	\$
Public safety	84,480		8,745	88,000	12,265		12,265	
Public works	67,618	23,250			(44,368)		(44,368)	
Parks & recreation	17,689		31,597		13,908		13,908	
Interest on long-term debt	13,430				(13,430)		(13,430)	
Total Governmental Activities	299,257	24,580	49,640	88,000	(137,037)		(137,037)	
Business-type Activities								
Water	60,753	59,077				(1,676)	(1,676)	
Sewer	127,805	96,860				(30,945)	(30,945)	
Total Business-type Activities	188,558	155,937				(32,621)	(32,621)	
Total Primary Government	\$ 487,815	\$ 180,517	\$ 49,640	\$ 88,000	(137,037)	(32,621)	(169,658)	
Component Unit:								
DDA	\$ 17,666	\$ 723	\$	\$				(16,943)
General Revenues:								
Property taxes					339,635		339,635	59,940
State-shared revenues					13,611		13,611	
Unrestricted investment earnings					9,264	9,769	19,033	893
Total General Revenues					362,510	9,769	372,279	60,833
Change in Net Assets					225,473	(22,852)	202,621	43,890
Net Assets – Beginning					1,818,495	2,714,830	4,533,325	76,611
Net Assets – Ending					\$ 2,043,968	\$ 2,691,978	\$ 4,735,946	\$ 120,501

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP, MICHIGAN

Balance Sheet – Modified Cash Basis Governmental Funds

March 31, 2008

	General Fund	Grant Fund	Fire Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 345,451	\$ 7,137	\$ 41,810	\$ 1,990	\$ 396,388
Investments	111,924			2,681	114,605
Due from other funds	10,371		546	1,955	12,872
Intergovernmental receivables	<u>12,443</u>		<u>3,929</u>		<u>16,372</u>
Total Assets	<u>\$ 480,189</u>	<u>\$ 7,137</u>	<u>\$ 46,285</u>	<u>\$ 6,626</u>	<u>\$ 540,237</u>
Liabilities and Fund Balances					
Liabilities					
Intergovernmental payables	\$ 1,460	\$ 1,785	\$	\$	\$ 3,245
Due to other funds	<u>1,955</u>	<u>2,513</u>			<u>4,468</u>
Total Liabilities	<u>3,415</u>	<u>4,298</u>			<u>7,713</u>
Fund Balances					
Reserved for:					
Recreation	32,101				32,101
Public safety			46,285		46,285
Perpetual care				2,681	2,681
Unreserved:					
General fund	444,673				444,673
Special revenue funds		<u>2,839</u>		<u>3,945</u>	<u>6,784</u>
Total Fund Balances	<u>476,774</u>	<u>2,839</u>	<u>46,285</u>	<u>6,626</u>	532,524
Total Liabilities and Fund Balances	<u>\$ 480,189</u>	<u>\$ 7,137</u>	<u>\$ 46,285</u>	<u>\$ 6,626</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,914,002
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(407,500)
Governmental funds report the effect of issuance costs when debt is first issued, whereas this amount is deferred and amortized in the statement of activities	<u>4,942</u>
Net assets of governmental activities	<u>\$2,043,968</u>

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis Governmental Funds

Year Ended March 31, 2008

	General Fund	Grant Fund	Fire Millage Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 208,920	\$	\$ 64,259	\$	\$ 273,179
Intergovernmental:					
Federal		80,000	8,000		88,000
State	64,326		16,287	1,955	82,568
Charges for services	24,230				24,230
Interest & rents	8,521		731	162	9,414
Other	<u>41,095</u>	<u>6,244</u>	<u></u>	<u></u>	<u>47,339</u>
Total Revenues	<u>347,092</u>	<u>86,244</u>	<u>89,277</u>	<u>2,117</u>	<u>524,730</u>
Expenditures					
Current					
General government	98,926				98,926
Public safety	2,923		44,616	1,290	48,829
Public works	67,535				67,535
Recreation & culture	16,587				16,587
Other	13,250				13,250
Debt service					
Principal	18,500				18,500
Interest	13,430				13,430
Bond issuance costs		2,834			2,834
Capital outlay	<u>17,213</u>	<u>256,882</u>	<u>22,964</u>	<u></u>	<u>297,059</u>
Total Expenditures	<u>248,364</u>	<u>259,716</u>	<u>67,580</u>	<u>1,290</u>	<u>576,950</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>98,728</u>	<u>(173,472)</u>	<u>21,697</u>	<u>827</u>	<u>(52,220)</u>
Other Financing Sources (Uses)					
Note proceeds		105,000			105,000
Transfers in	5,000	71,206			76,206
Transfers out	<u></u>	<u></u>	<u>(76,206)</u>	<u></u>	<u>(76,206)</u>
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>176,206</u>	<u>(76,206)</u>	<u></u>	<u>105,000</u>
Net Changes in Fund Balances	103,728	2,734	(54,509)	827	52,780
Fund Balances – Beginning	<u>373,046</u>	<u>105</u>	<u>100,794</u>	<u>5,799</u>	
Fund Balances – Ending	<u>\$ 476,774</u>	<u>\$ 2,839</u>	<u>\$ 46,285</u>	<u>\$ 6,626</u>	

GRANT TOWNSHIP, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis
Governmental Funds**

Year Ended March 31, 2008

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Fire Millage Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:					
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.					256,557
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.					(83,666)
Amortization of issuance costs reported in the statement of activities do not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.					<u>(198)</u>
Change in Net Assets of Governmental Activities					<u>\$ 225,473</u>

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP, MICHIGAN

Statement of Net Assets Proprietary Funds March 31, 2008

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Assets			
Current Assets:			
Cash	\$ 17,600	\$ 66,818	\$ 84,418
Investments	70,698	119,632	190,330
Interest receivable	392	1,987	2,379
Accounts receivable, net	8,809	16,539	25,348
Due from other funds		28	28
Prepaid items	<u>3,677</u>	<u>5,042</u>	<u>8,719</u>
Total Current Assets	<u>101,176</u>	<u>210,046</u>	<u>311,222</u>
Noncurrent Assets:			
Restricted investments	26,332		26,332
Capital assets not being depreciated	69,828		69,828
Capital assets being depreciated, net	<u>525,455</u>	<u>1,868,472</u>	<u>2,393,927</u>
Total Noncurrent Assets	<u>621,615</u>	<u>1,868,472</u>	<u>2,490,087</u>
Total Assets	<u>722,791</u>	<u>2,078,518</u>	<u>2,801,309</u>
Liabilities			
Current Liabilities:			
Accounts payable	430	1,785	2,215
Accrued liabilities	903	1,883	2,786
Due to other funds	212	418	630
Accrued interest payable	1,700		1,700
Revenue bonds payable - current	<u>5,000</u>		<u>5,000</u>
Total Current Liabilities	8,245	4,086	12,331
Noncurrent Liabilities:			
Revenue bonds payable	<u>97,000</u>		<u>97,000</u>
Total Liabilities	<u>105,245</u>	<u>4,086</u>	<u>109,331</u>
Net Assets			
Invested in capital assets, net of related debt	493,283	1,868,472	2,361,755
Restricted for debt service	24,632		24,632
Unrestricted	<u>99,631</u>	<u>205,960</u>	<u>305,591</u>
Total Net Assets	<u>\$ 617,546</u>	<u>\$ 2,074,432</u>	<u>\$ 2,691,978</u>

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP, MICHIGAN

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended March 31, 2008**

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenues			
Water fees	\$ 59,077	\$	\$ 59,077
Sewer fees		96,860	96,860
Total Operating Revenues	<u>59,077</u>	<u>96,860</u>	<u>155,937</u>
Operating Expenses			
Administration	5,545	7,100	12,645
Personal services	12,146	29,210	41,356
Repairs & maintenance	8,657	12,832	21,489
Operating expenses	8,889	24,873	33,762
Depreciation	<u>20,249</u>	<u>53,790</u>	<u>74,039</u>
Total Operating Expenses	<u>55,486</u>	<u>127,805</u>	<u>183,291</u>
Operating Income (Loss)	<u>3,591</u>	<u>(30,945)</u>	<u>(27,354)</u>
Nonoperating Revenues (Expenses)			
Interest income	4,445	5,324	9,769
Interest expense	<u>(5,267)</u>		<u>(5,267)</u>
Total Nonoperating Revenues (Expenses)	<u>(822)</u>	<u>5,324</u>	<u>4,502</u>
Change in Net Assets	2,769	(25,621)	(22,852)
Total Net Assets – Beginning	<u>614,777</u>	<u>2,100,053</u>	<u>2,714,830</u>
Total Net Assets – Ending	<u>\$ 617,546</u>	<u>\$ 2,074,432</u>	<u>\$ 2,691,978</u>

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP, MICHIGAN

Statement of Cash Flows Proprietary Funds Year Ended March 31, 2008

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 56,441	\$ 93,435	\$ 149,876
Payments to suppliers	(25,965)	(38,683)	(64,648)
Payments to employees	<u>(12,051)</u>	<u>(29,098)</u>	<u>(41,149)</u>
Net cash provided by operating activities	<u>18,425</u>	<u>25,654</u>	<u>44,079</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(11,346)	(8,874)	(20,220)
Principal paid on capital debt	(5,000)		(5,000)
Interest paid on capital debt	<u>(5,350)</u>	<u></u>	<u>(5,350)</u>
Net cash used by capital and related financing activities	<u>(21,696)</u>	<u>(8,874)</u>	<u>(30,570)</u>
Cash Flows from Investing Activities:			
Proceeds from maturities of investments	101,170	122,277	223,447
Purchase of investments	(97,030)	(119,632)	(216,662)
Interest received	<u>4,378</u>	<u>3,493</u>	<u>7,871</u>
Net cash provided by investing activities	<u>8,518</u>	<u>6,138</u>	<u>14,656</u>
Net increase in cash	5,247	22,918	28,165
Cash – Beginning	<u>12,353</u>	<u>43,900</u>	<u>56,253</u>
Cash – Ending	<u>\$ 17,600</u>	<u>\$ 66,818</u>	<u>\$ 84,418</u>

GRANT TOWNSHIP, MICHIGAN

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended March 31, 2008

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 3,591	\$ (30,945)	\$ (27,354)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	20,249	53,790	74,039
(Increase) decrease in receivables, net	(2,636)	(3,425)	(6,061)
(Increase) decrease in due from other funds		3,807	3,807
(Increase) decrease in prepaid items	905	1,349	2,254
Increase (decrease) in accounts payable	(156)	548	392
Increase (decrease) in accrued expenses	95	112	207
Increase (decrease) in due to other funds	<u>(3,623)</u>	<u>418</u>	<u>(3,205)</u>
Net cash provided by operating activities	<u>\$ 18,425</u>	<u>\$ 25,654</u>	<u>\$ 44,079</u>

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP, MICHIGAN

**Statement of Net Assets – Modified Cash Basis
Fiduciary Funds
March 31, 2008**

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 102,153</u>
Liabilities	
Intergovernmental payable	<u>\$ 102,153</u>

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

I. Summary of Significant Accounting Policies

A. Reporting Entity

Grant Township, Michigan was organized on August 1, 1861 and is located in Keweenaw County, Michigan. It covers an area of approximately 119 square miles. The Township is governed by an elected board of trustees consisting of five members, which are a supervisor, clerk, treasurer and two trustees. Services provided to the residents of the Township include fire protection, a water supply system, sewage disposal, recreation and community enrichment. The accompanying financial statements present the government and its component unit, an entity for which government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely present component unit. The Downtown Development Authority (DDA) was established by the Township under provisions of Act 197, P.A. of 1975 as amended (MCL 125.1651). It is governed by a nine member board appointed by the Township's governing board. The DDA adopted a development and tax increment financing plan to provide tax increment revenues to pay the principal and interest on bonds issued by the Township for improvements within the DDA District. Complete financial statements for the DDA may be obtained at the entity's administrative office.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

In the government-wide financial statements the modified cash basis of accounting is used to report the governmental activities. The accrual basis of accounting is used to report the business-type activities and the proprietary fund financial statements. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental and fiduciary fund financial statements are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the Township utilized the basis of accounting recognized as generally accepted, the governmental and fiduciary fund financial statements would use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. All government-wide financial statements would be presented on the accrual basis of accounting..

The Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Grant Fund* accounts for revenues and expenditures of various grants received by the Township.

The *Fire Millage Fund* accounts for taxes levied by the Township for fire protection.

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

The Township reports the following major proprietary funds:

The *Water Fund* accounts for the activity of the Township's water system.

The *Sewer Fund* accounts for the activity of the Township's sewer system.

Additionally, the Township reports the following nonmajor governmental funds: Fire Grant, Liquor and Cemetery Perpetual Care.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are charges to customers for services. Operating expenses for the enterprise fund includes cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Township did not have any short-term investments at March 31, 2008.

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

When applicable, advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

When applicable, all trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on December 1st and are payable by February 14 of each year, at which time all unpaid taxes become delinquent. Delinquent real property taxes are collected by the County. Delinquent personal property taxes continue to be collected by the Township.

The 2007 taxable valuation of the Township totaled \$37,428,671, of which ad valorem taxes levied consisted of 1.8050 mills for operating purposes, 3.5031 mills in extra voted and 1.7515 mills for fire operating, resulting in \$67,559, \$131,116 and \$65,556, respectively. These amounts are recognized in the General and Fire Millage Fund financial statements.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

4. Restricted Assets

Certain proceeds of the Township's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

5. Capital Assets

Capital assets, which include property, plant, equipment, and the water and sewer systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. As the Township constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction. The total interest expense incurred by the business-type activities of the Township was \$5,267, all of which was expensed.

Property, plant, equipment and the water and sewer systems of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 to 50 years
Site Improvements	10 to 20 years
Water System	40 to 60 years
Sewer System	40 to 60 years
Equipment & Furnishings	7 to 15 years

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with the financial statement presentation used to reflect actual revenue and expenditures. Annual budgets are adopted for all governmental funds except the Grant and Fire Grant special revenue funds which adopt project-length budgets and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. Encumbrance accounting is not employed in the governmental funds.

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

III. Detailed Notes on all Funds

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated four banks for the deposit of Township funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total	Component Unit
Cash	\$ 396,388	\$ 84,418	\$ 480,806	\$ 83,343
Investments	114,605	190,330	304,935	
Restricted investments		26,332	26,332	
Total	<u>\$ 510,993</u>	<u>\$ 301,080</u>	<u>\$ 812,073</u>	<u>\$ 83,343</u>

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008 \$856,482 of the Township's bank balance of \$444,417 was exposed to custodial credit risk because it was uninsured and uncollateralized. The bank balance of the component unit's deposit is \$83,052, all of which is covered by federal depository insurance.

B. Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows:

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 780,890	\$ 2,000	\$ _____	\$ 782,890
Capital assets being depreciated:				
Buildings & site improvements	535,748	10,158		545,906
Machinery, equipment & furnishings	<u>567,516</u>	<u>284,901</u>	<u>(5,592)</u>	<u>846,825</u>
Total capital assets being depreciated	<u>1,103,264</u>	<u>295,059</u>	<u>(5,592)</u>	<u>1,392,731</u>
Accumulated depreciation:				
Building & site improvements	(137,786)	(11,233)		(149,019)
Machinery, equipment & furnishings	<u>(88,923)</u>	<u>(29,269)</u>	<u>5,592</u>	<u>(112,600)</u>
Total accumulated depreciation	<u>(226,709)</u>	<u>(40,502)</u>	<u>5,592</u>	<u>(261,619)</u>
Total capital assets being depreciated, net	<u>876,555</u>	<u>254,557</u>	<u>_____</u>	<u>1,131,112</u>
Governmental activities capital assets, net	<u>\$ 1,657,445</u>	<u>\$ 256,557</u>	<u>\$ _____</u>	<u>\$ 1,914,002</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 69,828	_____	_____	\$ 69,828
Capital assets being depreciated:				
Water system	980,133			980,133
Sewer system	2,646,469			2,646,469
Machinery, equipment & furnishings	<u>25,914</u>	<u>20,220</u>	<u>_____</u>	<u>46,134</u>
Total capital assets being depreciated	<u>3,652,516</u>	<u>20,220</u>	<u>_____</u>	<u>3,672,736</u>
Accumulated depreciation:				
Water system	(446,232)	(19,603)		(465,835)
Sewer system	(736,359)	(52,929)		(789,288)
Machinery, equipment & furnishings	<u>(22,179)</u>	<u>(1,507)</u>	<u>_____</u>	<u>(23,686)</u>
Total accumulated depreciation	<u>(1,204,770)</u>	<u>(74,039)</u>	<u>_____</u>	<u>(1,278,809)</u>
Total capital assets being depreciated, net	<u>2,447,746</u>	<u>(53,819)</u>	<u>_____</u>	<u>2,393,927</u>
Business-type activities capital assets, net	<u>\$ 2,517,574</u>	<u>\$ (53,819)</u>	<u>\$ _____</u>	<u>\$ 2,463,755</u>

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 3,666
Public safety	35,651
Public works	83
Parks & recreation	<u>1,102</u>

Total depreciation expense – governmental activities \$ 40,502

Business-type activities:

Water system	\$ 20,249
Sewer system	<u>53,790</u>

Total depreciation expense – business type activities \$ 74,039

Discretely Presented Component Unit

Activity for the Downtown Development Authority (DDA) for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Buildings & improvements	\$ 287,431	\$	\$	\$ 287,431
Machinery, equipment & furnishings	<u>1,534</u>	<u> </u>	<u> </u>	<u>1,534</u>
Total capital assets being depreciated	<u>288,965</u>	<u> </u>	<u> </u>	<u>288,965</u>
Accumulated depreciation:				
Building & improvements	(17,287)	(6,271)		(23,558)
Machinery, equipment & furnishing	<u>(294)</u>	<u>(153)</u>	<u> </u>	<u>(447)</u>
Total accumulated depreciation	<u>(17,581)</u>	<u>(6,424)</u>	<u> </u>	<u>(24,005)</u>
DDA capital assets, net	<u>\$ 271,384</u>	<u>\$ (6,424)</u>	<u>\$</u>	<u>\$ 264,960</u>

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of March 31, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds		
General	Grant	\$ 1,967
	Water	184
	Sewer	418
	Component unit – DDA	7,802
Fire Millage Fund	Grant	546
Nonmajor governmental fund	General	<u>1,955</u>
Total		<u>\$ 12,872</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

In the year ended March 31, 2008, the Township made the following transfers:

	<u>Transfers In:</u>		
	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Fire Millage</u>	<u>Total</u>	
Transfers Out:			
Governmental Funds			
General	\$ 5,000	\$ 5,000	\$
Grant	<u>71,206</u>	<u>71,206</u>	<u> </u>
Total	<u>\$ 76,206</u>	<u>\$ 76,206</u>	<u>\$</u>

D. Long-term Debt

The Township issues bonds to provide for capital acquisitions and construction. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements, loans and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

Long-term debt activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities							
Notes							
Rural Development – fire truck	4.25%	8-18-18	\$ 155,000	\$	\$ (10,000)	\$ 145,000	\$ 11,000
Rural Development – fire truck	4.25%	12-1-20	166,000		(8,500)	157,500	9,000
Rural Development – fire truck	4.125%	2-1-23		105,000		105,000	5,000
Total Governmental Activities			<u>\$ 321,000</u>	<u>\$ 105,000</u>	<u>\$ (18,500)</u>	<u>\$ 407,500</u>	<u>\$ 25,000</u>
Business-type Activities							
Revenue bonds	5.00%	12-1-22	<u>\$ 107,000</u>	<u>\$</u>	<u>\$ (5,000)</u>	<u>\$ 102,000</u>	<u>\$ 5,000</u>
Component Unit							
2003 Limited Tax General Obligation Bonds	3.50% & 4.60%	9-1-22	<u>\$ 230,000</u>	<u>\$</u>	<u>\$ (10,000)</u>	<u>\$ 220,000</u>	<u>\$ 10,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
<u>March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 25,000	\$ 16,851	\$ 5,000	\$ 5,100	\$ 10,000	\$ 9,285
2010	26,000	15,784	5,000	4,850	10,000	8,935
2011	27,500	14,665	5,000	4,600	10,000	8,585
2012	28,000	13,493	5,000	4,350	10,000	8,235
2013	30,000	12,289	6,000	4,100	10,000	7,885
2014-2018	168,000	41,295	34,000	15,700	70,000	31,455
2019-2023	<u>103,000</u>	<u>8,784</u>	<u>42,000</u>	<u>6,650</u>	<u>100,000</u>	<u>11,500</u>
	<u>\$ 407,500</u>	<u>\$ 123,161</u>	<u>\$ 102,000</u>	<u>\$ 45,350</u>	<u>\$ 220,000</u>	<u>\$ 85,880</u>

IV. Other Information

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and employee injuries (workers' compensation). All risk of loss is covered by commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

GRANT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

C. Employee Retirement Plan

Plan Description

The Township participates in the Municipal Retirement Systems, Inc. Non-Standardized Money Purchase Pension Plan that is administered by the Municipal Retirement Systems, Inc. The Township has no fiduciary responsibility for the plan.

All full-time nonseasonal employees of the Township are eligible to participate in the plan except for employees covered by a collective bargaining agreement. As of March 31, 2008 the Township had five active covered employees. The annual covered payroll for 2007 totaled \$48,555 and the Township's total payroll for all employees was \$91,941.

Under the provisions of the plan, pension benefits vest 100% upon entering the plan. Distributions may be made at the participant's election on or after the anniversary date following termination of employment.

Contributions Required and Contributions Made

The Township and the employee are required to contribute 6.2% of the employee's annual compensation. During the fiscal year ended March 31, 2008 employer and employee contributions totaled \$6,064.

Required Supplementary Information

GRANT TOWNSHIP, MICHIGAN

**Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning of Year Fund Balance	\$ 373,046	\$ 373,046	\$ 373,046
Resources (Inflows):			
Taxes	218,593	218,593	208,920
Licenses & permits	550	550	
Intergovernmental – State	92,075	92,075	64,326
Charges for services	20,000	20,000	24,230
Interest & rents	1,200	1,200	8,521
Other	7,000	7,000	41,095
Transfers from other funds	<u>5,200</u>	<u>5,200</u>	<u>5,000</u>
Amounts Available for Appropriation	<u>717,664</u>	<u>717,664</u>	<u>725,138</u>
Charges to Appropriations (Outflows):			
General government	107,970	110,752	98,926
Public safety	6,050	6,050	2,923
Public works	74,725	74,957	67,535
Parks & recreation	19,700	19,858	16,587
Other	13,350	13,350	13,250
Debt service	34,000	34,000	31,930
Capital outlay	<u>89,700</u>	<u>89,700</u>	<u>17,213</u>
Total Charges to Appropriations	<u>345,495</u>	<u>348,667</u>	<u>248,364</u>
Ending Budgetary Fund Balance	<u>\$ 372,169</u>	<u>\$ 368,997</u>	<u>\$ 476,774</u>

GRANT TOWNSHIP, MICHIGAN

**Budgetary Comparison Schedule
Fire Millage Fund
Year Ended March 31, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 100,794	\$ 100,794	\$ 100,794
Resources (Inflows):			
Taxes	67,449	67,449	64,259
Intergovernmental:			
Federal			8,000
State	8,600	8,600	16,287
Interest & rents	<u>100</u>	<u>100</u>	<u>731</u>
Amounts Available for Appropriation	<u>176,943</u>	<u>176,943</u>	<u>190,071</u>
Charges to Appropriations (Outflows):			
Public safety	38,870	41,831	44,616
Capital outlay	42,000	42,000	22,964
Transfers out	<u>5,000</u>	<u>76,206</u>	<u>76,206</u>
Total Charges to Appropriations	<u>85,870</u>	<u>160,037</u>	<u>143,786</u>
Ending Budgetary Fund Balance	<u>\$ 91,073</u>	<u>\$ 16,906</u>	<u>\$ 46,285</u>

Other Supplementary Information

GRANT TOWNSHIP, MICHIGAN

Combining Balance Sheet – Modified Cash Basis Nonmajor Governmental Funds March 31, 2008

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>	Total
	<u>Fire Grant Fund</u>	<u>Liquor Fund</u>	<u>Total</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Nonmajor Governmental Funds</u>
Assets					
Cash	\$ 55	\$ 1,935	\$ 1,990	\$	\$ 1,990
Investments				2,681	2,681
Due from other funds	_____	<u>1,955</u>	<u>1,955</u>	_____	<u>1,955</u>
Total Assets	<u>\$ 55</u>	<u>\$ 3,890</u>	<u>\$ 3,945</u>	<u>\$ 2,681</u>	<u>\$ 6,626</u>
Liabilities and Fund Balances					
Liabilities	\$	\$	\$	\$	\$
Fund Balances					
Reserved for perpetual care				2,681	2,681
Unreserved, undesignated	<u>55</u>	<u>3,890</u>	<u>3,945</u>	_____	<u>3,945</u>
Total Fund Balances	<u>55</u>	<u>3,890</u>	<u>3,945</u>	<u>2,681</u>	<u>6,626</u>
Total Liabilities & Fund Balances	<u>\$ 55</u>	<u>\$ 3,890</u>	<u>\$ 3,945</u>	<u>\$ 2,681</u>	<u>\$ 6,626</u>

GRANT TOWNSHIP, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis Nonmajor Governmental Funds Year Ended March 31, 2008

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>	Total
	<u>Fire Grant Fund</u>	<u>Liquor Fund</u>	<u>Total</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Nonmajor Governmental Funds</u>
Revenues					
Intergovernmental - State	\$	\$ 1,955	\$ 1,955	\$	\$ 1,955
Interest & rents		28	28	134	162
Total Revenues		1,983	1,983	134	2,117
Expenditures					
Current – Public safety		1,290	1,290		1,290
Net Change in Fund Balances		693	693	134	827
Fund Balances – Beginning	55	3,197	3,252	2,547	5,799
Fund Balances - Ending	\$ 55	\$ 3,890	\$ 3,945	\$ 2,681	\$ 6,626

GRANT TOWNSHIP, MICHIGAN

**Combining Statement of Net Assets – Modified Cash Basis
Fiduciary Funds
March 31, 2008**

	<u>Agency Funds</u>		<u>Total</u>
	<u>Current Tax Account</u>	<u>Delinquent Tax Account</u>	
Assets			
Cash	<u>\$ 101,492</u>	<u>\$ 661</u>	<u>\$ 102,153</u>
Liabilities			
Intergovernmental payable	<u>\$ 101,492</u>	<u>\$ 661</u>	<u>\$ 102,153</u>

Federal Programs

GRANT TOWNSHIP, MICHIGAN

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Township Board
Grant Township, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Grant Township, Michigan, as of and for the year ended March 31, 2008 which collectively comprise Grant Township, Michigan's basic financial statements, and have issued my report thereon dated September 5, 2008. The report was a special report on the Township's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and was qualified because the basic financial statements do not include the Volunteer Firemen's Fund which should be included to conform to accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Grant Township, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Grant Township, Michigan's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Grant Township, Michigan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Grant Township, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Grant Township, Michigan's financial statements that is more than inconsequential will not be prevented or detected by Grant Township, Michigan's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses as items 08-01 and 08-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Grant Township, Michigan's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that neither of the significant deficiencies described is a material weakness.

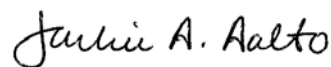
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant Township, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of Grant Township, Michigan in a separate letter dated September 5, 2008.

Grant Township, Michigan's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Grant Township, Michigan's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Township Board, management, federal and state awarding agencies, and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jackie A. Aalto, CPA

September 5, 2008

GRANT TOWNSHIP, MICHIGAN

Schedule of Findings and Responses

Year Ended March 31, 2008

FINDINGS – FINANCIAL STATEMENT AUDIT

08-01 Ability to Prepare Financial Statements

Criteria: Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Condition: Management is unable to produce financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause: The condition noted in the preceding paragraph exists at Grant Township, Michigan. The cause for this condition is because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditor than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

Effect: As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

Response: Due principally to the small size of the Township and the limited funds available to the Township, the hiring of accounting personnel capable of writing the Township's financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America is cost prohibitive.

08-02 Lack of Segregation of Duties

Criteria: Management is responsible for protecting the Township's assets. As such, a proper segregation of duties is needed to ensure protection and accurate financial reporting. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

GRANT TOWNSHIP, MICHIGAN

Schedule of Findings and Responses

Year Ended March 31, 2008

Cause: The Township has a limited number of personnel available to adequately segregate all incompatible duties.

Effect: As a result of this condition, the same individuals are responsible for all accounting functions. The result is the possibility that intentional or unintentional errors could be made and not be detected.

Response: As noted above, due to the small size of the Township and the limited funds of the Township, management is unable to employ the number of accounting personnel to attain an adequate separation of duties between management functions, accounting functions and custody of the Township's assets. To the extent possible, duties are allocated between accounting personnel to mitigate risk of material misappropriation of assets. In addition, the Township Board assumes a higher level of oversight responsibilities to mitigate risks related to this lack of segregation of duties.

To the Township Board
Grant Township, Michigan

In planning and performing my audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant Township, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Grant Township, Michigan's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above. Please refer to the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards* for references to deficiencies in internal control that I consider to be significant deficiencies.

In addition, I noted other matters involving the internal control and its operations that are reported below:

1. The governmental activities in the government-wide financial statements and the governmental and fiduciary fund financial statements of the Township are prepared on the modified cash basis of accounting. I recommend that the Township prepare the government-wide financial statements on an accrual basis of accounting and the governmental and fiduciary fund financial statements on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.
2. The financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part

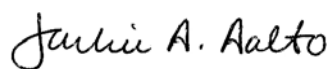
of, the basic financial statements. I recommend that future financial statements of the Township include a management's discussion and analysis.

3. The financial statements do not include the Volunteer Firemen's Fund. Because the department is not a separate legal entity, all of the financial activity should be reported in the Township's financial statements.
4. At March 31, 2008 the Township's primary government had \$856,482 in deposits, of which \$444,417 was uninsured. I recommend that the Township review its investment policy and procedures to determine if there could be alternative investment strategies that would yield higher investment returns and also allow for FDIC protection.
5. The Township is responsible for rebilling delinquent personal property taxes. During the current year these delinquent bills were not rebilled. I recommend that procedures be established to ensure that delinquent personal property taxes are rebilled, reconciled to the tax roll and distributed to the other units of government on a timely manner.
6. Since cash is so readily subject to error and mishandling, effective control of checks, currency, and other cash items should begin at the time of receipt and continue through deposit, custody, and disbursement. The person who opens incoming mail should receipt the payment received daily, at the time of opening the mail and before the cash items are routed to the person responsible for depositing funds. Such lists should include the customers' names, amounts, and description of item being paid, and be used daily or at other reasonable intervals for comparison of the total with deposit slip totals, to determine that all cash has been promptly deposited intact in the Township's bank accounts.
7. I observed that checks received were not, in all cases, being endorsed "For deposit only" immediately upon receipt. I recommend that an endorsement stamp that includes the notation "For deposit only" be obtained and employees be instructed to use it when endorsing checks.
8. Cash receipts are not being deposited on a timely basis. At the present time, cash receipts are accumulated in a desk drawer and periodic deposits are made. As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditures or investment. I recommend that deposits be made on a timelier basis, both to improve cash flow and to reduce the risk of loss.
9. Bank statements in some instances were accumulated for several months before they were reconciled to the appropriate general ledger controls. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind. I recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.
10. At present, the Township uses Quickbooks software to manage the general ledger and payroll functions. Quickbooks is user friendly and meets the Township's need to keep the accounting system simple. However, the system does not require a "close" of each month. Transactions can be backdated to the prior period, thus changing the previously reported financial statements. Therefore, I recommend that the Township implement Quickbooks' close feature monthly, including restricting access to prior-period data, or consider changing to a system that does require a monthly close. The Township needs consistent accounting information. Adjustments to prior periods negate the validity of historical information. A monthly close will eliminate the ability to backdate or make changes to previously reported financial statements.
11. I noted that the Township does not have a personnel manual. I recommend that an employee or personnel manual be developed and distributed to employees.

12. Currently, the Township does not annually authorize check signers. A current listing of authorized check signers, which is approved annually by the Township board, should be maintained to ensure proper authorization of all disbursements. I recommend the listing be periodically reviewed and updated each time a change in check signers occurs and that the bank be promptly and formally notified of any change.
13. All contracts should be reviewed and updated annually.

This communication is intended solely for the information and use of the Township board, management, federal and state awarding agencies, and if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to thank the Township personnel for their courtesy and assistance during the audit. I appreciate the opportunity to serve as your auditor. If there are any questions about your financial report or the above comments and recommendations, I would be happy to discuss them at your convenience.



Jackie A. Aalto, CPA

September 5, 2008